



Action Item

Agenda Item No.

City Manager's Approval

Subject: Fiscal Impact Analysis for 2014 Auburn Police Officers Association (APOA) Memorandum of Understanding (MOU) Negotiation

Background

Recently the City of Auburn adopted policies regarding “Transparency in Bargaining,” as outlined by Section 17.1 and 17.2 of the City of Auburn Employee-Employer Relations Policy (EERP). As part of increased transparency efforts, the City of Auburn performs a fiscal impact analysis for all economic items within initial proposals for successor Memoranda of Understanding (MOUs). Conducted by the City of Auburn Administrative Services Department, this fiscal impact analysis identifies financial impacts associated with each proposal. The analysis is provided to the Auburn Police Officers Association (APOA) within seven (7) days after submitting initial proposals which was performed on Monday, September 22nd. The analysis will then be posted online for public review and comment which will be accepted at upcoming City Council meetings on October 13th and 27th.

Analysis

Auburn Police Officers Association (APOA) Proposal

APOA Proposal #1:

Binding Arbitration for Grievance and Discipline (Conceptual Proposal)

Annual Fiscal Impact - Varies

The APOA is requesting the City of Auburn adopt language within the MOU that permits binding arbitration. In arbitration, a neutral third party is empowered by the parties to decide the outcome of a dispute. There are two types of arbitration: binding and non-binding. In binding arbitration, the parties agree to waive their right to go to court for a judicial decision, and the arbitrator's decision is final.

For communities that have adopted arbitration language, there are varying methods to pay for arbitration. It is typical for cities and bargaining units to split costs 50/50 per case that goes to arbitration. One party could pay 100% of the cost, such as the party requesting arbitration. In California the Public Employee Relations Board*, or PERB, provides a list of arbitrators for \$50 (it is a service that PERB offers public

agencies). Once an arbitrator is selected, that arbitrator's daily rates, travel, cancellation fees, etc., then apply. If a party opts to have legal representation, additional fees would also apply.

*<http://www.perb.ca.gov/csmcs/HowToRequestPanel.aspx>

APOA Proposal #2:

During the term of a three year contract, adjust the bottom and top salary steps to be at the mean of five comparator agencies. Comparator agencies shall be 1) Citrus Heights, 2) Lincoln, 3) Placer County Sheriff, 4) Rocklin and 5) Roseville. (Conceptual Proposal)

Annual Fiscal Impact - \$53,028

3-Year Fiscal Impact - \$159,084

APOA is requesting the City to increase the bottom and top step pay ranges for police officers. The current bottom and top step pay ranges are below:

Step*	Current Amount (per month)	Proposed Amount (per month)	% Increase (per position)
Step 1 (bottom)	\$4,429	\$4,999	12.87%
PERS (28%)	\$1,240	\$1,340	
FICA (1.45%)	\$64	\$72	
Total	\$5,733	\$6,471	\$738
Step 5 (top)	\$5,384	\$5,700	5.87%
PERS (28%)	\$1,508	\$1,596	
FICA (1.45%)	\$78	\$83	
Total	\$6,970	\$7,379	\$409
*Step pay includes only base salary. PERS calculated at 28% and FICA at 1.45%.			

A 12.87% increase in Step 1 (bottom) will affect one (1) current employee, resulting in \$8,856 increase for the first year only. A 5.87% increase in Step 5 (top) will affect nine (9) employees, resulting in a \$44,174 increase for the first year only. This results in a total impact of \$53,028 for the first year. The impact of this proposal over a three-year contract is approximately \$159,084.

City of Auburn Proposal to APOA

City of Auburn Proposal

Amendments to Section 5.A Salaries/Special Salary Adjustments

3-Year Fiscal Impact per Future Employee - \$5,923

The City of Auburn is proposing to create a new salary range which does not affect current employees. All current employees shall remain in "Salary Range A" for the remainder of his/her continuous employment with the City. All new employees hired on or after the first pay period after the effective date of the MOU shall be assigned to "Salary Range B." The top step of Salary Range B shall be 100% of the top step of Salary Range A for each job classification. However, Salary Range B shall consist of fifteen (15) salary steps, each varying approx. 1.44% until the top step which will not exceed 100% of Salary Range A. This reflects a change from the current 5% increase employees currently receive under Salary Range A. For current and future employees, the impact is explained below:

	Step														
New Employee Pay	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Monthly pay @ Current Salary Range	4429	4668	4907	5145	5384	employees are currently "maxed" at top step of pay scale									
Monthly pay @ Proposed Salary Range	4429	4493	4557	4623	4689	4757	4825	4894	4965	5036	5108	5182	5256	5332	5384

Since the new pay range would not affect current employees, the savings to the City of Auburn will be realized for future hires. For example, a newly hired police officer begins employment with a monthly base salary of \$4,429 at the "Bottom Step." After four (4) completed years of service, the employee would earn \$5,384, or the "Top Step," and the employee's pay is now "maxed out." During each of those years, the employee receives a 5% step pay increase.

The fiscal impact of this change is significant over time. Over the course of three (3) years, the City would realize savings which total an estimated \$5,923 per employee. See associated chart below:

		Assumes 2014 rates		
Earnings after 3 years	Base Salary	PERS	FICA	Total
Monthly pay @ Current Salary Range	168,039	47,051	2,437	217,526
Monthly pay @ Proposed Salary Range	163,463	45,770	2,370	211,603
<i>Difference over 3 years - per employee</i>				<i>5,923</i>

City of Auburn Proposal

Amendments to Section 7.A Vacation

7A.6 In the past, employees accrued unlimited vacation leave balances when a cap should have been maintained per MOU. As of Sept. 18, 2014, APOA members' vacation leave balances total 5,043 hours, or \$193,787 dollars, with a maximum cap of 4,949 hours, or \$149,757, of unused vacation leave. Thus, the total unfunded liability of vacation leave

accruals is currently \$193,787 which is also \$44,030 over the maximum cap allowed. The City is notifying bargaining units it will enforce current MOU language and work to reduce the unfunded liability.

Current Vacation Leave Accruals (Hours)	Current Vacation Leave Accruals (Dollars)	Current Cap on Vacation Leave Accruals (Dollars)	Dollar Amount Over Cap
5,043	\$193,787	\$149,757	\$44,030

7A.7 Currently the City does not provide annual cash payouts to APOA members for unused vacation leave balances. The City is proposing to allow employees an option of a cash payout up to forty (40) hours per fiscal year. This allows the City to “buy down” current vacation balances. While the City would incur costs each fiscal year, the City would also reduce unfunded liabilities in vacation leave accruals. Two scenarios are provided where Scenario 1 includes only employees who have accrued vacation leave above the cap and Scenario 2 includes all APOA employees. The impact is as follows:

Description	Scenario 1 (6 employees above MAX)	Scenario 2 (All APOA employees)
Current Base Pay @ 40hrs	\$9,362	\$16,433
PERS	\$2,621	\$4,601
FICA	\$136	\$238
Total	\$12,119	\$21,273

7A.8 The City is requesting to allow employees (one time only within thirty (30) days of City Council ratification of this MOU) an opportunity to convert any amount of unused vacation leave to sick leave at a ratio of 1.0 Vacation Leave = 1.5 Sick Leave. Currently, employees within the unit have accrued 1,126 hours of vacation leave above the cap. If these hours are converted to sick leave – which has no cash value but does carry conversion value for calculating retirement benefits – the City could reduce the unfunded liability of vacation leave. The chart below explains this proposal:

Current APOA Vacation & Sick Leave Liabilities			Vacation Leave above the Cap is converted to Sick Leave at a rate of 1.0 to 1.5	Adjusted Balances	
Vacation Leave Over Cap (Hours)	Vacation Leave Over Cap (Dollar Amount)	Total Sick Leave (Hours)		Vacation Leave Over Cap (Dollar Amount)	Total Sick Leave (Hours)
1,126	\$44,030	4,340		\$0.00	6,028

The fiscal impact of this proposal would decrease the City’s unfunded liability in vacation leave balances by \$44,030.

City of Auburn Proposal

Amendments to Section 7.B Sick Leave

There is currently a sick leave balance of \$168,523 for APOA employees and the City is attempting to address the significance of this unfunded balance in two ways: first, to reduce the overall balance of sick leave; and to eliminate practices of paying cash for unused sick leave. The City is also attempting to enhance the ability of employees to use sick leave in exchange for service credits towards retirement. The current cap on sick

leave balances is \$104,267 meaning accumulated sick leave balances have exceeded the MOU cap by \$64,257.

7B.1 Current MOU language allows employees up to five (5) days of sick leave per calendar year in the event of illness of family members whereas use of these 5 days are not charged against regular sick leave accruals. The City is proposing to eliminate the cap of 5 days of sick leave for family and allow any amount of sick leave to be used to care for family members and would be charged against an employee's accrual of sick leave. In essence, an employee may use sick leave for one's self or one's family as defined in the MOU. The impact of this proposal will reduce costs to the City by \$16,433 per year, assuming employees use all 5 days of family sick leave which are not currently charged to employee sick leave balances.

Annual Sick Leave Accrual (Hours)	"Extra" Family Sick Leave that does not reduce Sick Leave Accrual (Hours)	Total Amount of Sick Leave Liability (Hours)	Value of 5 Extra Days of Sick Leave (Dollars)
96	40	136	\$16,433

7B.3 Upon separation of employment from the City, current employees may receive cash payment for accumulated sick leave in excess of forty (40) work days, or 320 hours. The employee may also apply the full amount towards early retirement on a day-for-day basis thereby reducing their service requirements. As the City is proposing to eliminate cash payouts for unused sick leave, employees will be able to enhance their sick leave balances for service credits which will reduce the City's liability by \$104,267 based on current sick leave balances over the 320 hour limit.

7B.4 The City is proposing to eliminate MOU language whereas employees may "cash out" unused sick leave when two conditions are met including: employee retains an accumulated balance of no less than seventy (70) days of sick leave, or 560 hours, and; employee may only cash out nine (9) days annually, or 72 hours. Currently, elimination of this proposal affects three employees who are eligible. This proposal would reduce the City's financial burden by \$6,881 per year until more employees become eligible for the sell back option.

7B.9 The City also proposes to eliminate language within this Section regarding a maximum cap of accumulated sick leave which may be used for early retirement. Currently employees have a maximum cap of 75 days of accumulated sick leave, or 600 hours, which may be applied to reduce service credit requirements for PERS. The City proposes to eliminate the cap so employees with current accrued balances may use those balances towards early retirement when necessary.

City of Auburn Proposal

Amendments to Section 4.B.4 Court Time

Annual Fiscal Impact - \$1,164

The City provides APOA employees with a minimum of 4 hours at time-and-one-half rate for non-canceled, subpoenaed court time during off-duty hours. Currently, sworn personnel provide twenty four (24) hours' notice and this proposal would change the

notice requirement to twelve (12). Also, it clarifies that search warrants are not considered subpoena court time.

Using the average salary of an employee within the APOA (\$37.35/hour), assume the actual amount of time an employee works during off-duty hours for search warrants is two (2) hours. If the City discontinues consideration of search warrants as “subpoenaed court time” during off-duty hours, the City would realize approx. \$1,164 per year in savings under this proposal. The savings are as follows:

	Current Amount (Min. 4 hours)	Proposed Amount (Avg. 2 hours)
Employee Salary (\$37.35/hr.)	\$149	\$75
PERS	\$42	\$21
FICA	\$2	\$1
Total	\$193	\$97
Savings		\$(97)
Est. Number of Occurrences Per Year is 12		\$1,164

City of Auburn Proposal

Amendments to Section 5 School Resource Officer Assignment

Annual Fiscal Impact - \$4,074

The current officer assigned to work as the School Resource Officer (SRO) does not receive differential pay for the assignment. The City proposes to give the SRO a 5% pay increase for the assignment. The annual impact is shown below:

Description	Current	Proposal w/ 5%	Difference
Base Salary	\$62,940	\$66,087	\$3,147
PERS @ 28%	\$17,623	\$18,504	\$881
FICA @ 1.45%	\$913	\$958	\$46
Total	\$81,475	\$85,549	\$4,074

City of Auburn Proposal

Amendments to Section 5.K Night Shift Differential

Est. Annual Fiscal Impact - \$696

The City currently provides employees with a 5% increase to their base pay when they are assigned to work night shifts. This proposal would clarify that employees assigned to night shift, when they are temporarily assigned to day shift, will not receive night shift differential for the time worked on day shift. As an example, an employee who is temporarily assigned to work a day shift will not receive a 5% night shift differential pay when he/she works a day shift. While the need to temporarily assign day shifts to night-shift personnel is sporadic, the need does occur. Assuming this occurs twice per month over a calendar year, the City would realize a savings of \$696 annually.

	Base Salary	Base Salary w/ Night Shift Differential
Hourly Salary	\$37.35	\$39.22
Per Shift	\$448	\$471
PERS	\$125	\$132
FICA	\$6	\$7
Total	\$580	\$609
Savings		\$29
Approx. 2x per month		\$696

City of Auburn Proposal

Add the following language to Section 8.F. Retirement: All employees hired on or after January 1, 2013 shall receive the retirement benefit of 2.7%@57 or as specified in the California Public Employee's Pension Reform Act of 2013 (PEPRA).

Annual Fiscal Impact - \$0.00

The 2013 California Public Employee's Pension Reform Act of 2013, also known as PEPRA, was enacted by the State of California to address public employee pensions. This added language to the MOU documents the new retirement benefits for employees hired after January 1, 2013 as outlined by PEPRA. The impact of this legislation is significant and many factors are yet unknown. However the City's proposal to include PEPRA language within the MOU only acknowledges the change in pension rules and regulations as outlined by the State.

Annual Fiscal Impact

Auburn Police Officers Association (APOA) Proposal

Description	Annual Fiscal Impact	
	Increase	Decrease
<i>Binding Arbitration for Grievance and Discipline</i>	Varies	
<i>During the term of a three year contract, adjust the bottom (12.87%) and top (5.87%) salary steps to be at the mean of five comparator agencies.</i>	\$53,028*	
<i>Est. Total</i>	\$53,028	

*Over course of 3-year contract, fiscal impact of proposal would be est. \$159,084.

City of Auburn Proposal to APOA

Description	Annual Fiscal Impact	
	Increase	Decrease
<i>Amendments to Section 5.A Salaries/Special Salary Adjustments</i>	-	-*
<i>Amendments to Section 7.A Vacation</i>		
<i>7A.6 – Enforcement of Vacation Leave Balance</i>	-	-
<i>7A.7 – Cash out 40 Hours of Annual Vacation Leave</i>	\$21,273	(\$21,273)
<i>7A.8 – Vacation Leave for Sick Leave (1.0 for 1.5)</i>		(\$44,030)
<i>Amendments to Section 7.B Sick Leave</i>		
<i>7B.1 Eliminate 5 Extra Sick Days in Addition to 12 Days of Annual Sick Leave Accrual</i>	-	(\$16,433)
<i>7B.3 Eliminate Annual Cash Value of Sick Leave upon Separation</i>	-	(\$64,257)
<i>7B.4 Eliminate Cash Value of Sick Leave</i>	-	(\$6,881)
<i>7B.9 Eliminate cap on Sick Leave Balance</i>	-	-
<i>Amendments to Section 4.B.4 Court Time</i>	-	(\$1,164)
<i>Amendments to Section 5 School Resource Officer Assignment</i>	\$4,074	-
<i>Amendments to Section 5.K Night Shift Differential</i>	-	(\$696)
<i>Add PEPPA language to Section 8.F. Retirement</i>	-	-
<i>Total</i>	\$25,347	(\$112,188)

*Over course of 3 years, fiscal impact of proposal would be est. \$5,923 savings to the City.